

**San Joaquin Valley Power Authority  
Minutes  
Regular Board Meeting  
June 26, 2008**

Minutes of the June Regular Meeting of the Board of Directors (Board) of the San Joaquin Valley Power Authority (Authority) held June 26, 2008, at the offices of Kings River Conservation District, Fresno, California.

Authority Board Chair Ron Manfredi, City of Kerman, called the meeting to order at 2:00 p.m.

**ROLL CALL**

Chair Manfredi requested the clerk call the official roll of Authority Board Members.

**MEMBERS PRESENT**

CITY OF CLOVIS

Alternate Director Robert Ford, arrived at 2:02 p.m. (after roll call)

CITY OF CORCORAN

Director Ron Hoggard

CITY OF DINUBA

Alternate Director Dan Meinert, arrived at 2:07 p.m. (after roll call)

CITY OF HANFORD

Alternate Director Gary Misenhimer, arrived at 2:06 p.m. (after roll call)

CITY OF KERMAN

Director Ron Manfredi

CITY OF KINGSBURG

Director Don Pauley

KINGS COUNTY

Director Larry Spikes

CITY OF LEMOORE

Director Jeff Britz

CITY OF PARLIER

Absent

CITY OF REEDLEY

Director Rocky Rogers

CITY OF SANGER

Alternate Director John Mulligan

CITY OF SELMA

Alternate Director Judy Bier

Margaret Clayton, Kings River Conservation District (KRCD) reported that eight (8) of the twelve (12) Authority Member Agencies were present for a total of 60.15% voting shares (adjusted at 2:07 p.m. to eleven (11) Authority Member Agencies present for a total of 94.81% voting shares) under the Joint Powers Agreement (JPA).

## **OTHERS PRESENT**

Jeff Adolph, Pacific Gas & Electric (PG&E)  
Lisa Bischel, Madrid Salazar PR & Marketing  
Scott Blaising, Braun Blaising McLaughlin, P.C.  
Margaret Clayton, Kings River Conservation District  
Melissa Hunter, Kings River Conservation District  
Jane Luckhardt, Downey Brand LLP  
Toni Munoz-Woods, Kings River Conservation District  
David Orth, Kings River Conservation District  
Randy Shilling, Kings River Conservation District  
Brian Trevarrow, Kings River Conservation District

## **ADDITIONS TO OR DELETIONS FROM THE AGENDA**

There were no additions to or deletions from the agenda.

## **PUBLIC COMMENTS**

There were no public comments.

## **REPORT FROM THE DIRECTORS**

Director Jeff Briltz, City of Lemoore, reported that as the SJVPA representative to the San Joaquin Valley Clean Energy Organization (SJVCEO), he recently attended a six hour planning workshop in Merced. This organization is just getting started and there are 25 members on the Board.

Chair Manfredi reported that he has been working with PG&E representatives on “Rule 16”, which deals with electrical engineering for hookups of new buildings. Chair Manfredi also said that irrigators are having problems getting their wells hooked up and that the process for irrigators is also very slow. Manfredi said that PG&E agreed to seek improvements.

## **KINGS RIVER CONSERVATION DISTRICT REPORT**

Regulatory Update: David Orth, KRCD, asked Scott Blaising, Braun Blaising McLaughlin, P.C., to provide the regulatory update. Mr. Blaising addressed each of the following issues.

*Settlement Agreement in Complaint Case against PG&E* – Mr. Blaising reported on the California Public Utilities Commission (CPUC) Decision at its June 12, 2008 meeting to approve the Settlement Agreement without modifications. Blaising mentioned the CPUC stated that “functional separation” means what it says and expects PG&E to comply, and invited SJVPA to file an additional Complaint if PG&E did not meet the intent of the Settlement. Blaising also reported that PG&E shareholders, not ratepayers, will pay to reimburse SJVPA for its costs related to the Complaint case up to \$450,000. The effective date of the Settlement Agreement will be July 17, 2008.

*Joint & Several Liability* – Mr. Blaising reported that the CPUC had previously directed the investor-owned utilities (IOU’s) to remove Section 20 dealing with joint and several liability from the

Service Agreements between CCA's and the IOU's, stating that Section was contrary to California law. Blaising reported that the IOU's have now filed an Application for Rehearing seeking to appeal the CPUC's prior decision. SJVPA's response to the appeal describes the lack of substance and that the appeal is largely speculative and seeks to sew ambiguity to an otherwise very clear CPUC decision. Blaising said SJVPA requested the CPUC to address the matter expeditiously, hopefully in July. Blaising further said that the Appeal did not prevent Section 20 from being removed from the Service Agreement.

*Security Bond* – Mr. Blaising provided a further update on the long-standing dispute between SJVPA and the IOU's regarding the CCA's security bond. Mr. Blaising reminded the Board that in December 2007 the CPUC issued Resolution E-4133 agreeing with SJVPA that the security bond for SJVPA should be \$100,000, which is comparable to what Energy Service Providers are currently required to provide. The CPUC noted that this is an interim amount, subject to adjustment, and the CPUC stated that in 2008 it would reconsider the security bond amount for all CCA's. Blaising reported that on May 27, 2008, the Administrative Law Judge issued a ruling setting forth seven primary questions and inviting issues or questions to be addressed by the CPUC. Mr. Blaising said further discussion on this matter will be held in Closed Session regarding proposed Comments to be filed, which are due July 14.

*PG&E Recent Rate Increase Filings* – Mr. Blaising reported that PG&E and other IOU's have an Energy Resource Recovery Account (ERRA) that is a balancing account for power purchase rates and costs. Mr. Blaising described the two recent filings made by PG&E. Blaising explained that the expected forecast application, filed on June 1 of each year for PG&E and on August 1 of each year for Southern California Edison, is a projection of the utility's power purchase and generation costs and a request for rate adjustments. Blaising reported that the unexpected second filing made by PG&E is called a Trigger application and allows PG&E to request an additional rate increase. Blaising said that PG&E is asking for \$482 million of additional power costs to be amortized over a 14 month period, and is requesting that the rate increase be effective October 1, 2008. Blaising explained this represents a 4.5% rate increase as compared to overall electricity rates, and it represents an even-higher rate increase (approximately 9-10%) as compared to generation rates. Mr. Orth reported to the Authority Board that he has asked Navigant Consulting for a detailed analysis of this proposed increase in terms of costs to SJVPA potential customers.

Correspondence, Meetings, and Conferences: Mr. Orth reported that he gave an update on the Community Power Plant (CPP) and proposed water supply plans and status of Community Choice implementation to the Sanger City Council at their request on June 19, 2008.

Status of CCA Implementation: Mr. Orth notified the Authority Board that the Service Agreements with the IOUs have been executed and sent to PG&E and SCE on June 5, 2008. Mr. Orth reported that KRCD staff scheduled a meeting with PG&E and SCE personnel for following week in San Ramon to continue discussions on data management, data transfer and billings.

Status of Settlement Implementation: Mr. Orth further reported that a provision in the Settlement Agreement calls for bi-monthly meetings with PG&E personnel to discuss any issues of concern, such as the Mark McKean letter to the editor brought up at recent meetings of the SJVPA Board. The initial meeting was being scheduled.

Status of Resource Development: Mr. Orth reported that KRCD continues to work with CitiGroup Energy on finalizing costs of power under the Electric Supply Agreement (ESA) and the actual sources that will be used. Mr. Orth explained the issues impacting this matter are the joint and

several issue, high market energy costs today, and the anticipated rate increases and cost responsibility surplus adjustments from PG&E and potentially SCE. Mr. Orth told the Authority Board that he has asked Navigant Consulting to update the financial analysis and impact financial modeling to allow us to better understand where we are before working back through the Executive Committee.

Mr. Orth reported that the California Energy Commission (CEC) process on the proposed Community Power Plant (CPP) continues with data exchange and working with Independent System Operator (ISO) and PG&E for additional system impact analyses.

Mr. Orth said he owes a response to Clean Tech regarding structuring financial issues that have arisen through negotiations. Mr. Orth relayed that at least two SJVPA members have received presentations from Solar Power Solutions for installations at waste water treatment plant facilities. Orth said he is trying to set up a meeting with Solar Power Solutions representatives to discuss program objectives and then prepare a comparative analysis between the net metering California Solar Initiative program versus what the CCA program can offer.

Director Jeff Briltz, City of Lemoore, reported that Lemoore currently has two large city-owned solar projects underway.

Mr. Orth reported that KRCD is working with another solar company to develop a project with a Kings River Water Association water rights holder for potential integration into the CCA program. Mr. Orth stated that Director Pauley referred a developer to him and they met today to discuss a large scale hybrid generation facility in Fresno County which will work well with what KRCD is trying to do with the baseload planning.

Status of Other CCA Programs: Mr. Orth reported that several other communities are joining Marin Co., most recently with strong support from Mill Valley as over 100 people met to explore the possibility of a heavy renewable CCA program. Mr. Orth indicated that Sonoma County has also approached KRCD for assistance in background analysis and information.

### **CONSENT CALENDAR**

It was moved by Alternate Director Judy Bier, City of Selma, seconded by Director Ron Hoggard, City of Corcoran, and approved on a voice vote (voting shares: 94.81% approved, 5.19% absent, 0% opposed) to approve the Consent Calendar, which consisted of Financial Statements for the month ending May 31, 2008.

### **APPROVAL OF MINUTES**

It was moved by Director Rocky Rogers, City of Reedley, seconded by Alternate Director Gary Misenhimer, City of Hanford, and approved on a voice vote (voting shares: 94.81% approved, 5.19% absent, 0% opposed) to adopt the Minutes of the May 22, 2008 Authority Regular Board Meeting as presented.

### **APPROVAL OF 2008-09 BUDGET.**

Board Chair Manfredi reported that a thorough review of the Budget was conducted at the June 5, 2008 Executive Committee meeting. Chair Manfredi said that revenue and some expenses for 2008-09 were not included. Mr. Orth said the Budget is a basic administrative support budget to keep the program moving forward in various activities, but excludes power sales revenue or power procurement expenses, or other costs that will be incurred once the program is up and running. Orth reported that once start dates are established and approved by the Board, a Budget augmentation would be developed to add revenues, expenses and other costs. Randy Shilling, KRCD, reviewed each section of the Budget, explaining specific line items. Mr. Shilling mentioned that in future years, SJVPA may want to hire a separate auditor, instead of using the same one used by KRCD.

Mr. Orth confirmed that the KRCD Board supports and will continue to pay the expenses of SJVPA this fiscal year until service to customers begins. In response to a question about staffing, Orth reported that the Implementation Plan identified 15 full time staff positions to support the program at start up. He also noted that the current Budget reflects only current staff (4.5 positions), and any additions will not occur until the Board approves a timeline to begin service. Orth reported that KRCD staff will break down the development cost and present it to the Authority Board so it can be quantified and included in the financials moving forward.

Chair Manfredi asked for action to approve the Budget. It was so moved by Alternate Director Dan Meinert, City of Dinuba, seconded by Director Don Pauley, and approved on a voice vote (voting shares: 94.81% approved, 5.19% absent, 0% opposed) to approve the 2008-09 Budget.

### **NEXT MEETING DATE**

The Authority Board established August 28, 2008 at 2:00 p.m. for the next regular meeting of the Board at the offices of KRCD. The July regular meeting is canceled. A Special Meeting can be called, if necessary to address actions before the California Public Utilities Commission.

Judy Bier, Alternate Director of the City of Selma, notified the Authority members that this would be her last meeting, since she is retiring effective August 1, 2008.

### **RECESS**

At 3:07 p.m. Chair Manfredi called for a five minute recess before the start of Closed Session.

### **CLOSED SESSION**

Pursuant to Government Code Sections 54956.9 (a), the Authority Board adjourned to Closed Session at 3:12 p.m. to confer with Legal Counsel on regulatory matters requiring litigation before the CPUC in R.03-10-003.

### **RECONVENE TO OPEN SESSION**

The Board reconvened into Open Session at 3:25 p.m. Ms. Luckhardt disclosed the Authority Board met in Closed Session, an update was provided on matters stated on the agenda, and discussion and direction provided to staff and counsel with respect to those matters.

### **ADJOURNMENT**

There being no further business, Board Chair Manfredi adjourned the meeting at 3:26 p.m.

Respectfully submitted,

Secretary